

**ORIGINAL**

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BEFORE THE ARIZONA CORPORATION COMMISSION

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MAR 15 2012

DOCKETED BY COMMISSIONERS

GARY PIERCE, Chairman

BOB STUMP

SANDRA D. KENNEDY

PAUL NEWMAN

BRENDA BURNS

2012 MAR 15 PM 4 15

IN THE MATTER OF THE APPLICATION  
OF TUCSON ELECTRIC POWER  
COMPANY FOR APPROVAL OF ITS  
2011-2012 ENERGY EFFICIENCY  
IMPLEMENTATION PLAN

DOCKET NO. E-01933A-11-0055

**SWEEP'S PROPOSED LANGUAGE TO  
ADDRESS THE ISSUES RAISED IN IT'S  
REVISED COMMENTS ON THE STAFF  
UPDATE ON THE TUCSON ELECTRIC  
POWER COMPANY'S 2012 MODIFIED  
ENERGY EFFICIENCY  
IMPLEMENTATION PLAN**

**SWEEP PROPOSED LANGUAGE FOR ADDRESSING THE ISSUES RAISED IN  
IT'S REVISED COMMENTS ON THE STAFF UPDATE  
ON THE TUCSON ELECTRIC POWER COMPANY'S  
2012 MODIFIED ENERGY EFFICIENCY IMPLEMENTATION PLAN**

The Southwest Energy Efficiency Project ("SWEEP") appreciates the opportunity to provide recommended language to address the issues it raised in its *revised* comments in response to the Staff Update filed on February 29, 2011, regarding Tucson Electric Power Company's 2012 Modified Energy Efficiency Implementation Plan.

Attached hereto are:

**1. *Proposed SWEEP Amendment #1 (included as Attachment A).***

Proposed SWEEP Amendment #1, included as Attachment A, begins with Proposed Staff Amendment No. 4, which was attached to the Staff Update filed on February 29, 2012, and incorporates proposed language changes and additions recommended by SWEEP.

**2. *Attachment B.***

In Attachment B, SWEEP has included a redline and strikethrough version showing the SWEEP-recommended changes to Proposed Staff Amendment No. 4.

Thank you for the opportunity to submit these comments and proposed amendment language.

Respectfully submitted this 15<sup>th</sup> day of March 2012 by:

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Jeff Schlegel & Ellen Zuckerman  
Southwest Energy Efficiency Project

ORIGINAL and thirteen (13) copies  
filed this 15<sup>th</sup> day of March 2012 with:

Docket Control  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

COPIES of the foregoing sent via email and/or  
mail on or before this 15<sup>th</sup> day of March 2012, to:

All Parties of Record

**SWEEP REVISED COMMENTS – ATTACHMENT A**

Tucson Electric Power Company  
2011-2012 Energy Efficiency Implementation Plan  
Docket No. E-01933A-11-0055

**Proposed SWEEP Amendment #1**

**(To Company's Proposed Modified Implementation Plan, filed January 31, 2012)**

**Note: This Proposed SWEEP Amendment #1 begins with Proposed Staff Amendment No. 4, which was attached to the Staff Update filed on February 29, 2012, and incorporates proposed language changes and additions recommended by SWEEP. In addition, in Attachment B SWEEP has included a redline and strikethrough version showing the SWEEP-recommended changes to Proposed Staff Amendment No. 4.**

**Page 63, Line 23, After "Plan" INSERT " , as modified by the Commission,"**

**Page 65, Line 6, After "implemented." INSERT:**

"This Interim Performance Incentive is a one-time performance incentive that is not precedent setting. It will remain in effect no later than the effective date of the rates approved in the final order of the Commission in the Company's next general rate case.

**Page 65, Line 7, DELETE "7% of net benefits" and REPLACE WITH:**

"a performance incentive for achieving annual energy savings"

**Page 65, Line 9, After "will" DELETE "be banded at 80% to 120% of the target performance incentive of \$7,246,379." and REPLACE WITH:**

"have a target performance incentive of \$7,246,379, with a hard dollar cap at 120% of the target, equal to \$8,695,654. With the exception of the hard dollar cap, the Company's Interim Performance Incentive should track its actual achievements with respect to both Annual Energy Savings and Other Performance Metrics. In addition, if the actual and verifiable Annual Energy Savings achieved and actual performance on Other Performance Metrics are less than 80% of Goal, TEP should be reimbursed for its prudently incurred costs associated with the portfolio, but should receive no Interim Performance Incentive. "

**Page 65, Line 10, INSERT NEW SENTENCE** (at beginning of Line 10):

“The target performance incentive for the annual energy savings portion of the total performance incentive shall be set at 100% of the energy savings set forth in the Modified Plan, with an overall target performance incentive amount of \$7,246,379. If TEP achieves 100% of the annual energy savings set forth in the Modified Plan, plus 100% of the planned performance under the Other Performance Metrics, TEP would earn a performance incentive at 100% of the target incentive, equal to \$7,246,379.”

**Page 65, Lines 10-11, DELETE** “another mechanism approved by the Commission” and **REPLACE WITH:**

“a Commission-approved new performance incentive that shall be in place no later than the effective date of new rates ordered by the Commission during the Company’s next general rate case.”

**Page 67, Line 5, After “Implementation Plan.” INSERT:**

“However, TEP will file for a reset of the DSM adjustor mechanism in April of 2013, and include a true-up of the Interim Performance Incentive based on actual Net Benefits achieved, as well as a true-up of any over- or under-collection. Included with the reset filing must be information supporting the Net Benefits claimed for purposes of calculating the true-up.”

**Page 68, Line 1, After “Plan” INSERT** “, as modified above,”

**Page 73, Line 19, INSERT New Section and New Ordering Paragraphs:**

“2013 Implementation Plan

IT IS FURTHER ORDERED that instead of filing a waiver TEP shall propose and file for Commission consideration a modification of this Modified Implementation Plan for 2013, for the purposes of adding or modifying programs and related program specific budgets to achieve the cumulative annual energy savings requirements set forth by the Energy Efficiency Standard for 2013.

IT IS FURTHER ORDERED that the Company shall propose and file for Commission consideration a new performance incentive that shall be in place no later than the effective date of new rates ordered by the Commission during the Company’s next general rate case.”

**Page 73, Line 22,** After “Modified Implementation Plan” **INSERT “**, as modified herein”

**Page 74, Line 27, INSERT new ordering paragraphs:**

IT IS FURTHER ORDERED that the independent third-party consultant retained by Staff shall work with Staff, Tucson Electric Power Company, and interested stakeholders to resolve any outstanding issues surrounding the calculation of net benefits before TEP files for a reset of the DSM adjustor mechanism in April of 2013.

**SWEEP REVISED COMMENTS – ATTACHMENT B**

Tucson Electric Power Company  
2011-2012 Energy Efficiency Implementation Plan  
Docket No. E-01933A-11-0055

**Proposed SWEEP Amendment #1**

**(To Company's Proposed Modified Implementation Plan, filed January 31, 2012)**

**Note: This Proposed SWEEP Amendment #1 begins with Proposed Staff Amendment No. 4, which was attached to the Staff Update filed on February 29, 2012, and incorporates proposed language changes and additions recommended by SWEEP. In addition, in Attachment B SWEEP has included a redline and strikethrough version showing the SWEEP-recommended changes to Proposed Staff Amendment No. 4.**

**Page 63, Line 23, After "Plan" INSERT " , as modified by the Commission,"**

**Page 65, Line 6, After "implemented." INSERT:**

"This Interim Performance Incentive is a one-time performance incentive that is not precedent setting. It will remain in effect no later than the effective date of the rates approved in the final order of the Commission in the Company's next general rate case.

**Page 65, Line 7, DELETE "7% of net benefits" and REPLACE WITH:**

**"a performance incentive for achieving annual energy savings"**

**Page 65, Line 9, After "will" DELETE "be banded at 80% to 120% of the target performance incentive of \$7,246,379." and REPLACE WITH:**

**"have a target performance incentive of \$7,246,379, with a hard dollar cap at 120% of the target, equal to \$8,695,654. With the exception of the hard dollar cap, the Company's Interim Performance Incentive should track with its actual achievements with respect to both Annual Energy Savings ~~Net Benefits~~ and Other Performance Metrics. In addition, if the actual and verifiable Annual Energy Savings ~~Net Benefits~~ achieved and actual performance on Other Performance Metrics are less than 580% of Goal, TEP should be reimbursed for its prudently incurred costs associated with the portfolio ~~and Other Performance Metrics~~, but should receive no Interim Performance Incentive. "**

**Page 65, Line 10, INSERT NEW SENTENCE** (at beginning of Line 10):

“The target performance incentive for the annual energy savings portion of the total performance incentive shall be set at 100% of the energy savings set forth in the Modified Plan, with an overall target performance incentive amount of \$7,246,379. If TEP achieves 100% of the annual energy savings set forth in the Modified Plan, plus 100% of the planned performance under the Other Performance Metrics, TEP would earn a performance incentive at 100% of the target incentive, equal to \$7,246,379.”

**Page 65, Lines 10-11, DELETE** “another mechanism approved by the Commission” and **REPLACE WITH:**

“a Commission-approved new performance incentive that shall be in place no later than the effective date of new rates ordered by the Commission during the Company’s next general rate case.”

**Page 67, Line 5, After “Implementation Plan.” INSERT:**

“However, TEP will file for a reset of the DSM adjustor mechanism in April of 2013, and include a true-up of the Interim Performance Incentive based on actual Net Benefits achieved, as well as a true-up of any over- or under-collection. Included with the reset filing must be information supporting the Net Benefits claimed for purposes of calculating the true-up.”

**Page 67, Line 8-1/2, After “to \$0.003608 per kWh” DELETE** “for residential customers and to a 4.19% rate on all charges (except taxes and other governmental assessments) for all other customer classes.” and **REPLACE WITH** “for all customer classes.”

**Page 68, Line 1, After “Plan” INSERT** “, as modified above,”

**Page 73, Line 19, INSERT New Section and New Ordering Paragraphs:**

“2013 Implementation Plan

IT IS FURTHER ORDERED that instead of filing a waiver TEP shall propose and file for Commission consideration a modification of this Modified Implementation Plan for 2013, for the purposes of adding or modifying programs and related program specific budgets to achieve the cumulative annual energy savings requirements set forth by the Energy Efficiency Standard for 2013.

IT IS FURTHER ORDERED that the Company shall propose and file for Commission consideration a new performance incentive that shall be in place no later than the effective date of new rates ordered by the Commission during the Company’s next general rate case.”

**Page 73, Line 22, After “Modified Implementation Plan” INSERT “, as modified herein”**

**Page 73, Line 26, After “reset to \$0.003608 per kWh” DELETE “for residential customers and to a 4.19% rate on all charges (except taxes and other governmental assessments) for all other customer classes.” and REPLACE WITH “for all customer classes.”**

**Page 74, DELETE Lines 12 through 26, INSERT New Ordering Paragraph:**

~~“IT IS FURTHER ORDERED that “Tucson Electric Power Company shall use the inputs and methodology that Commission Staff uses when calculating the present value of benefits and costs for DSM measures in its Societal Cost Test. Commission Staff will regularly re-evaluate such inputs and methodologies, considering comments from Tucson Electric Power Company and other stakeholders.”~~

**Page 74, Line 27, INSERT new ordering paragraphs:**

IT IS FURTHER ORDERED that the independent third-party consultant retained by Staff shall work with Staff, Tucson Electric Power Company, and interested stakeholders to resolve any outstanding issues surrounding the calculation of net benefits before TEP files for a reset of the DSM adjustor mechanism in April of 2013.